



**MasterCard**  
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June 4, 2009

*By Electronic Mail*

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

**RE: Revised Regulation Z Proposed Rule, Docket No. R-1286**

Dear Ms. Johnson:

MasterCard Worldwide ("MasterCard")<sup>1</sup> submits this comment letter in response to the proposed amendments to the revised Regulation Z ("Revised Regulation Z") and its Official Staff Commentary ("Revised Commentary") ("Proposal") issued by the Board of Governors of the Federal Reserve System ("Board"). MasterCard appreciates the opportunity to provide its comments on the Proposal.

### **In General**

MasterCard commends the Board for issuing the Proposal to clarify various portions of Revised Regulation Z. We generally believe that the Proposal addresses a variety of issues in a reasonable manner and provides credit card issuers with additional clarity. For this reason, we believe the Board should adopt the Proposal with little change. We strongly urge the Board, however, to address at least one additional issue in need of clarification when it adopts a final rule. Specifically, we request the Board to address circumstances in which a card issuer provides promotional offers at the point of sale in connection with opening a new account.

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<sup>1</sup> MasterCard Worldwide (NYSE: MA) advances global commerce by providing a critical link among financial institutions and millions of businesses, cardholders and merchants worldwide. Through the company's roles as a franchisor, processor and advisor, MasterCard develops and markets secure, convenient and rewarding payment solutions, seamlessly processes more than 16 billion payments each year, and provides industry-leading analysis and consulting services that drive business growth for its banking customers and merchants. With more than one billion cards issued through its family of brands, including MasterCard®, Maestro® and Cirrus®, MasterCard serves consumers and businesses in more than 210 countries and territories, and is a partner to 25,000 of the world's leading financial institutions. With more than 24 million acceptance locations worldwide, no payment card is more widely accepted than MasterCard. For more information go to [www.mastercard.com](http://www.mastercard.com).

## **Disclosure of APR at Point of Sale**

### *Risk-Based Pricing*

The Revised Regulation Z provided that, except in very limited circumstances where APRs vary by state, an issuer would be required to disclose in the account-opening table the APR(s) that apply to an account. This provision of the Revised Regulation Z created significant operational difficulties for credit card issuers that intended to provide § 226.6 disclosures at the point of sale in connection with the opening of a new account, such as commonly occurs in a retail environment. These difficulties arose from a practical inability of a card issuer to provide the actual APR in the table itself if the program had more than one possible APR, such as may occur in connection with risk-based pricing. Unless amended by the Board, the Revised Regulation Z will have the unintended impact of forcing issuers to provide products with a “one size fits all” price model if they intend to open an account at the point of sale and comply with the disclosure requirements.

We applaud the Board for alleviating this concern by proposing to allow card issuers to disclose the APR(s) applicable to the account outside the account-opening table if the APR(s) on the account will vary due to the applicant’s creditworthiness. Specifically, an issuer providing the account-opening disclosures in person (*e.g.*, at the point of sale) at the time a credit card account is opened in connection with financing the purchase of goods or services may, at the creditor’s option, disclose in the account-opening table either: (i) the specific APR applicable to the consumer’s account; or (ii) the range of APRs that could apply, if the disclosure includes a statement that the APR depends on the consumer’s creditworthiness and refers the consumer to an account agreement or other disclosure provided with the account-opening table where the applicable APR is disclosed. We believe that this provision in the Proposal will give creditors the necessary flexibility to open a credit card account at the point of sale while still ensuring that consumers have access to important account disclosures. We therefore urge the Board to retain this provision.

### *In-Store Promotions*

Although we believe the Proposal as it relates to risk-based pricing and opening an account for immediate use (such as at the point of sale) is useful, we also urge the Board to consider other circumstances that may be relatively unique to the point-of-sale environment and in need of special guidance. In particular, it is common for a card issuer to have a variety of promotional offers in connection with co-branded credit card offerings. For example, card issuers offer discounted APRs on co-branded accounts in connection with a variety of possible transactions at the co-brand partner’s location. This could include a 0% APR on a specific appliance purchase and a 2.9% APR on a specific electronics purchase in addition to the standard purchase and other APRs. Furthermore, these promotions could vary by the week, or even by the day.

We are concerned that the Board has not provided sufficient clarity to card issuers as to how they could disclose the myriad of promotional offers as part of the application/solicitation disclosures or the account-opening table. It is simply not practical for an issuer to develop dozens of tables based on the APRs that are offered at the time the disclosure is provided. Even

if the issuer could develop the tables in a reasonable manner, it is unlikely that the retail partner would be able to rotate the stock appropriately to ensure that the proper disclosures are provided at the correct times. Fortunately, MasterCard does not believe that such arrangements are necessary to provide consumers with the appropriate disclosures. We believe that the Board should amend the Revised Regulation Z for purposes of in-person disclosures relating to promotional offers as the Board did with respect to risk-based pricing for the account-opening tables. Specifically, we believe an issuer should be permitted to provide a table that includes the range of *nonpromotional* APRs that could apply, with a statement that any applicable promotional APR and related terms (*e.g.*, promotion expiration) can be found with the other APR(s) disclosed in the account agreement or other disclosure.

## **Deferred Interest**

As we note in our comment letter on the proposed revisions and clarifications to Regulation AA, MasterCard applauds the Board for clarifying its approach to deferred interest programs under Regulation AA. In connection with this clarification, the Proposal includes several new disclosure requirements pertaining to deferred interest programs, including on periodic statements and in connection with advertisements.

### *Periodic Statements*

The Proposal would require card issuers to disclose deferred interest balances and deferred/waived interest amounts separate from the balances subject to interest during a billing cycle and the interest charges imposed during a billing cycle, respectively. Instead, the deferred interest balance (but not a waived interest balance) must be separately disclosed on the periodic statement and identified by a term other than the term used to identify the other balances (such as “deferred interest balance”). Deferred/waived interest must be separately disclosed and identified by a term other than “interest charge” (such as “contingent interest charge” or “deferred interest charge”). We believe these disclosure requirements would be beneficial to consumers, and we urge their adoption.

The Proposal also includes a deferred/waived interest expiration disclosure requirement. Specifically, if the account has an outstanding balance subject to a deferred/waived interest program, the periodic statement must disclose the date by which that outstanding balance must be paid in full in order to avoid the obligation to pay finance charges on such balance. The disclosure must be on the front of the periodic statement and it must appear for two billing cycles immediately preceding the billing cycle in which the expiration date occurs. If the duration of the program is such that the reminder cannot be given for the last two billing cycles immediately preceding the disclosed expiration date, the disclosure must be included on all periodic statements during the deferred/waived interest period. Of course, an issuer could also provide the expiration date disclosure on statements prior to those on which it is required, as well. These disclosure requirements are reasonable, and they should be retained.

### *Advertisements*

The Proposal includes a variety of new advertising disclosure requirements relating to deferred/waived interest programs. For example, if such a program is advertised, the

deferred/waived interest period must be stated in a clear and conspicuous manner in the advertisement. If the phrase “no interest” or similar term is used, the phrase “if paid in full” must be included in a certain manner. Deferred/waived interest advertisements must also include information regarding the effect of not paying the balance in full by the expiration date and, if applicable, the consequences if the account is in default. Although we believe these disclosures are generally appropriate, we ask the Board to consider whether disclosures of such length are appropriate for in-store displays, and to consider whether the consumer could be directed to learn more about the offer, such as on the credit application.

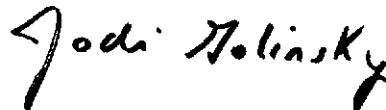
**Notices Required Pursuant to § 226.9(c) and (g)**

Revised Regulation Z includes certain notice requirements pertaining to changes in terms (§ 226.9(c)) and to increases in APRs due to delinquency or default, or as a penalty (§ 226.9(g)). We ask the Board to provide clarity that if a card issuer intends to increase the APR on an account that is change in terms, but the issuer’s desire to change the terms may have been created, in whole or in part, by a consumer’s delinquency or default on the account, that the card issuer need not provide two notices describing the same event. For example, if a card issuer sought to increase an APR on an account due in part to repeated late payments by the cardholder, but the issuer did not reserve the right to do so in the account agreement, we believe the issuer would be permitted to engage in a change in terms and provide the notice required under § 226.9(c) without an additional requirement to provide a second, and duplicative, notice pursuant to § 226.9(g) simply because the change in terms was prompted by delinquencies on the account. We ask the Board to confirm that this is the correct approach.

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Again, MasterCard appreciates the opportunity to provide comments on the Proposal. If you have any questions regarding our comments, please do not hesitate to call me at (914) 249-5978 or our counsels at Sidley Austin LLP in this matter, Michael F. McEneney at (202) 736-8368 or Karl F. Kaufmann at (202) 736-8133.

Sincerely,



Jodi Golinsky  
Vice President  
Regulatory and Public Policy Counsel

cc: Michael F. McEneney, Esq.  
Karl F. Kaufmann, Esq.